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ABSTRACT

An assessment was made of the Job Training Partnership Act (JTPA)'s vulnerability to waste, abuse, and mismanagement and the adequacy of federal, state, and local program oversight to prevent and detect such practices. The study examined JTPA activities in 2 federal regions, 6 states, and 12 service delivery areas, mostly for the program year ending June 30, 1990. Programs with known problems were not studied. The study found the following: (1) improper spending of JTPA funds on program administration and training contracts has reduced the amount available for training and placement assistance, and federal oversight has not detected these problems; (2) examples of misspending included misclassifying administrative expenditures in nine of the service delivery areas--so that violations of limitations on administrative spending were camouflaged, on-the-job training contracts for excessive training, and improper or unsupported payments being made to training vendors; and (3) state monitoring efforts and independent audits did not detect these practices. The study concluded that federal and state oversight of the JTPA program is inadequate to ensure that incidents of waste, abuse, and mismanagement are detected and that such practices are minimized. The study recommended that technical assistance be provided to states for the development and implementation of monitoring procedures and that policy guidance should be developed to clarify regulations regarding accounting, on-the-job training contracts, and purchasing controls. (KC)

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United States General Accounting Office

GAO

Report to Congressional Requesters

July 1991

JOB TRAINING PARTNERSHIP ACT

Inadequate Oversight Leaves Program Vulnerable to Waste, Abuse, and Mismanagement

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-215774

July 30, 1991

The Honorable Edward M. Kennedy
Chairman, Committee on Labor and
Human Resources
United States Senate

The Honorable Paul Simon
Chairman, Subcommittee on Employment
and Productivity
Committee on Labor and Human Resources
United States Senate

The Honorable William D. Ford
Chairman, Committee on Education
and Labor
House of Representatives

The Honorable Carl C. Perkins
Chairman, Subcommittee on Employment
Opportunities
Committee on Education and Labor
House of Representatives

This report responds to your request for information on the vulnerability of the Job Training Partnership Act program to waste, abuse, and mismanagement and the adequacy of program oversight to prevent and detect such practices. It recommends actions that the Department of Labor needs to take to reduce the potential for improper program management and to address the questionable practices that are occurring.

Copies of this report are being sent to the Secretary of Labor; the Director, Office of Management and Budget; and other interested parties.

Edward a Densmore

for

Franklin Frazier
Director, Education and
Employment Issues

Executive Summary

Purpose

Since its inception in 1983, the Job Training Partnership Act (JTPA) has spent about $28 billion to provide employment and training services primarily to economically disadvantaged individuals. JTPA has been relatively successful in placing participants in jobs. Recently, however, several instances of program waste, abuse, and mismanagement have been brought to light by the Department of Labor's Inspector General and the media. The Congress and many in the employment and training community are concerned that the JTPA program lacks accountability and may not be keeping its "house in order."

At the request of the Senate Committee on Labor and Human Resources and Subcommittee on Employment and Productivity, as well as the House Committee on Education and Labor and Subcommittee on Employment Opportunities, GAO studied JTPA to assess (1) the program's vulnerability to waste, abuse, and mismanagement and (2) the adequacy of federal, state, and local program oversight to prevent and detect such practices.

Background

JTPA is a highly decentralized program with over 600 local programs (service delivery areas) providing employment and training services to youth and adults. Some training services are provided directly by the service delivery areas but, for the most part, these services are provided under contract with public and private entities, such as community colleges and trade schools. Under JTPA, the majority of funds must be spent on training and a statutory limit is placed on funds used for administrative costs.

States and territories have the primary oversight responsibility for ensuring that JTPA programs are properly implemented. Labor has interpreted its oversight role as one of providing broad policy guidance and limited program monitoring.

GAO examined JTPA activities in two federal regions, six states, and 12 service delivery areas, mainly for the program year ending June 30, 1990. To avoid biasing its results, GAO did not include in its review those service delivery areas with known implementation problems, such as those previously identified by Labor's Inspector General.

Results in Brief

Improper spending of JTPA funds on program administration and training contracts has reduced the amount available for training and placement assistance. Further, federal and state oversight has not

detected these problems, leaving the program vulnerable to waste, abuse, and mismanagement. For example, at the 12 service delivery areas visited, GAO found that:

- Administrative expenditures were misclassified by 9 of the service delivery areas. Seven of these service delivery areas would have exceeded the statutory limitation on administrative costs if these costs had been accurately reported.
- On-the-job training contracts for excessive training were developed by 11 of the service delivery areas. About one-third of the JTPA funds spent by these service delivery areas on lower skill on-the-job training was for excess training.
- Other contracting practices followed by 8 of the service delivery areas resulted in improper or unsupported payments being made to training vendors.

State monitoring efforts and independent audits generally did not detect these practices. In addition, Labor has not issued specific policy guidance to prevent shortcomings, such as improper charging of certain administrative costs to other cost categories and on-the-job training contracts for excessive periods of training.

GAO concludes that federal and state oversight of the JTPA program is inadequate to ensure that incidents of waste, abuse, and mismanagement are detected and such practices are minimized.

Principal Findings

Administrative Cost Limitation Circumvented

The majority of service delivery areas that GAO visited underreported administrative expenditures, causing a misrepresentation of program costs and amounting to a circumvention of the statutory limitation placed on administrative costs. Exceeding allowable administrative spending reduces the amount of funds available to provide training services. JTPA requires that a minimum of 70 percent of available funds be spent on training and limits to 15 percent the amount that can be used for administration. Service delivery areas failed to use verifiable criteria, such as time records, in determining the amount of salaries to be charged to the administrative cost category. As a result, inappropriate expenditures were being charged to training, and spending on administration was being understated. (See pp. 15-17.) If administrative costs

had been accurately reported, 7 of the 12 service delivery areas would have exceeded the limitation on administrative spending by an average 68 percent. (See pp. 19 and 20.)

Policies in five of the six states that GAO visited may have contributed, in part, to the underreporting of administrative costs. These policies inappropriately permitted or were sufficiently vague to permit service delivery areas to charge costs for administrative services to the participant support cost category. Participant support includes services such as child care, transportation, and payments to participants that enable them to attend training. One service delivery area charged the participant support cost category for such administrative costs as the salaries of the private industry council staff, rent and supplies for their office, and their travel to seminars. (See pp. 17-19.)

Excessive Periods of On-the-Job Training

JTPA funds are being wasted on excessive on-the-job training. For example, at 11 service delivery areas, about 73 percent of on-the-job training contracts for lower skill positions, such as dishwasher, hotel maid, and fast-food worker, were in excess of Labor's suggested training time. JTPA's share of these excess wages was about $250,000 out of the $690,000 spent on this training. Although we pointed out this problem in an earlier report and Labor indicated that it contemplated corrective action, Labor has not issued any guidance to address this problem. (See pp. 21-23.)

JTPA funds also are being used to subsidize portions of employers' salary and training expenses. Service delivery areas developed on-the-job training contracts with employers for individuals who already had significant work experience in the job for which they were being trained. In other cases, the training contracts were for persons already employed by the company. For example, one service delivery area contracted with an employer to provide 4-months' training as a delivery driver to a person with 5-years' experience as a delivery driver. Another service delivery area developed a 6-month on-the-job training contract with an employer for a person who had been employed by that company for over a year in a similar position. Similar examples were found in 7 other service delivery areas. (See p. 24.)

Other Evidence of Vulnerability to Mismanagement

GAO found other problems that, while not widespread, were common enough to indicate program mismanagement. These included service delivery areas paying vendors even when contract conditions were not met, providing vendors with partial payments not in compliance with Labor guidance, and reimbursing vendors for unsupported expenses. As many as two-thirds of the payments reviewed at one service delivery area were improper because contract conditions were not met before payment. (See pp. 25 and 26.) In addition, service delivery areas made partial payments on contracts that often resulted in vendors receiving substantial amounts of money before providing much training. One service delivery area contracted to pay a vendor about 80 percent of a contract if 85 participants were enrolled and attended 5 days of a 6-month training program. (See pp. 26 and 27.)

Service delivery areas were also using contract modifications to pay vendors the full contract amount even though they failed to fulfill the original training requirements. Training contracts at one service delivery area provided for full payment only if participants were placed in jobs within 45 days after training. In two instances this was extended, in one case to 66 days and in another to 134 days, to allow full payment. (See pp. 27 and 28.)

State and Federal Monitoring and Oversight Inadequate

States were generally unaware that service delivery areas were improperly classifying administrative costs, even though they were responsible for, and in most instances performing, local program monitoring. Furthermore, the states failed to detect excessive lengths of on-the-job training. Other problems relating to contracting practices, although not pervasive, were nonetheless occurring at the local level and, generally, were undetected by the states. (See pp. 30 and 31.)

Labor's program oversight has been limited and it has not issued policy guidance that defines administrative costs, acceptable on-the-job training contracts, or adequate state monitoring. Labor has, however, undertaken initiatives aimed at improving program integrity. These initiatives appear to be a step in the right direction, but it is too soon to determine their impact. (See pp. 31-33.)

Independent financial and compliance audits, required at least once every 2 years, do not appear to compensate for inadequate state and federal monitoring and oversight. Few of the audits noted deficiencies related to waste, abuse, or mismanagement within JTPA. (See pp. 33 and 34.)

Recommendations

To reduce the potential for waste, abuse, and mismanagement within JTPA, GAO recommends that the Department of Labor assume stronger leadership in assuring that service delivery areas follow sound management and operational practices. Specifically, Labor should:

1. Provide technical assistance to states for the development and implementation of monitoring procedures designed to detect waste, abuse, and mismanagement within the program.

2. Provide policy guidance to clarify regulations in regards to

- accounting for and reporting of administrative costs to accurately reflect program expenditures,
- developing on-the-job training contracts that appropriately reflect the job's requirements and the individual's work experience,
- monitoring service providers to ensure that incidents of waste and abuse are detected and minimized, and
- maintaining adequate control over property purchased with JTPA funds to ensure that it is used for its intended purposes.

Agency Comments

The Department of Labor generally agreed with the findings and conclusions in GAO's report and stated that it has proposed legislation that was recently introduced to the Congress and taken other actions that address GAO's recommendations.

GAO believes that these efforts are a step in the direction of strengthening JTPA program monitoring and oversight. Labor's legislative proposal, if enacted, and other initiatives will contribute to improved program management. However, GAO believes that other actions are needed to ensure that its recommendations are fully implemented.

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Abbreviations

AFDC	Aid to Families With Dependent Children
GAO	General Accounting Office
JTPA	Job Training Partnership Act
OIG	Office of Inspector General
OJT	on-the-job training
SDA	service delivery area

Introduction

During the past year, the Job Training Partnership Act (JTPA)[1] program has been the subject of increased accusations of waste, abuse, and mismanagement. The Department of Labor's Office of Inspector General has reported on a number of such incidents within the program. Also, the media have been critical of JTPA's ability to ensure the proper use of program funds. The Congress and many in the employment and training community are concerned that the JTPA program lacks accountability and may not be keeping its "house in order."

Background

JTPA was enacted to provide job training and employment seeking skills to economically disadvantaged adults and youth. Since its implementation in 1983, it has received annual funding of about $3.5 billion and served over 2 million people each year. JTPA funds are distributed to states and local service providers using a formula based on the number of unemployed and economically disadvantaged people who live in these areas.

JTPA is a highly decentralized program. Although the Department of Labor is responsible for overall program administration, the states have considerable responsibility and autonomy in carrying out and monitoring program operations. The states are divided into service delivery areas (SDAs). These can include one or more units of local government or, in those states with relatively few concentrated population centers, the entire state may be served by a single SDA. The majority of JTPA participants receive job training services through programs administered by the 56 states and territories and over 600 SDAs; the remaining participants receive services through federally administered programs.

JTPA Activities and Services

SDAs provide a wide range of employment and training services, either directly or through agreements or contracts with other service providers. For the most part, these services can be categorized as shown in table 1.1.

[1]Public Law 97-300, signed on October 13, 1982.

Table 1.1: Descriptions of JTPA Training Activities

Activity	Description
Occupational classroom training	Teaches technical skills for specific jobs, such as clerk-typist or medical assistant.
Basic education	Provides training to improve basic educational skills, earn a high school equivalency degree, or improve knowledge of the English language.
On-the-job training	Employer provides training in a specific occupation, such as machine operator. Normally, the employer is reimbursed for one-half of the participant's wages.
Work experience	Provides short-term or part-time work designed to develop good work habits and basic work skills.
Job search assistance	Provides assistance in locating, applying for, and/or obtaining a job.

Because JTPA participants are generally economically disadvantaged, the act allows SDAs to also provide these individuals with needs-based payments and supportive services to enable them to attend training programs. Supportive services include child care, health care, meals, and transportation.

Titles IIA and III are the primary JTPA programs for providing year-round job training services to eligible adults and youth. Title IIA provides year-round training to economically disadvantaged adults and youth. Title III provides funds for programs tailored to the specific needs of dislocated workers—those who have been individually laid off or who have received a notice of layoff as a result of a mass layoff or the permanent closure of a plant or facility. Collectively, these two titles have accounted for about 56 percent of JTPA's annual budget and 62 percent of the participants.

Program Cost Limitations

JTPA requires that the majority of its funds be spent on training. The act specifies that at least 70 percent of title IIA funds and 50 percent of title III funds be spent on training activities. It also places a limit on administrative costs—not more than 15 percent of funds under both titles IIA and III can be spent for program administration. The act specifies that not more than 30 percent of title IIA funds can be spent on a combination of administration and participant support; for title III, up to 25 percent can be spent on participant support.

JTPA regulations state that allowable costs under the program must be charged to one of several specified cost categories. For example, all title

IIA costs must be charged to either training, administration, or participant support, depending on the nature of the costs involved.

Federal Oversight

The Department of Labor is responsible for the oversight of JTPA. Under JTPA, Labor has the authority to monitor all recipients of funds to ensure compliance with the act and implementing regulations. For the most part, however, the act delegates authority for monitoring JTPA program activities to the states. As pointed out in a report by the National Commission for Employment Policy:

"The Job Training Partnership Act is a fundamental example of 'New Federalism' and the block grant concept of funding State and Local programs . . .. 'New Federalism' means the assignment of primary responsibility for administering federally funded programs to the States. The Federal role in oversight and administration is severely limited by design."[2]

Labor requires that states provide it with programmatic and financial data on statewide and individual SDA performance. These reports consist of two program status reports (the annual and semiannual reports) and a longitudinal survey of a sample of JTPA participants. While these reports provide a program-wide view of how JTPA is operating, they give only a limited perspective on individual state and local program operations.

Labor's 10 regional offices periodically conduct a series of management and compliance reviews of state operations. Management reviews are aimed at helping states and SDAs achieve program goals, develop quality programs through better planning and management, and use available resources efficiently. These reviews became a state option rather than a monitoring requirement in February 1990. Compliance reviews are aimed at determining whether state programs are being carried out in accordance with the requirements of the act and implementing regulations.

State Monitoring

The states have primary responsibility for monitoring JTPA programs and activities. JTPA requires that the states establish such fiscal controls and accounting procedures as are necessary to ensure the proper disbursal and accounting of federal funds. The act also requires that the states prepare, or have prepared, an independent audit of each SDA.

[2]"The Job Training Partnership Act," National Commission for Employment Policy, Washington, D.C., September 1987.

According to JTPA regulations, the states are responsible for oversight of all SDA grant recipients as well as title III substate grantee activities and state-supported programs.

The states have discretion in determining how to carry out their oversight and monitoring responsibilities. Typically, the states visit each SDA and assess a number of areas or activities, including financial management and management information systems, procurement practices, and eligibility determinations. The states also carry out monitoring through the use of (1) management devices, such as quarterly financial reports; (2) performance reports comparing planned with actual performance; and (3) state liaison officials responsible for maintaining continuing contact with the SDAs, as well as for dealing with day-to-day questions and problems.

Objectives, Scope, and Methodology

The Chairmen of the Senate Committee on Labor and Human Resources and its Subcommittee on Employment and Productivity as well as those of the House Committee on Education and Labor and its Subcommittee on Employment Opportunities asked us to assess several aspects of JTPA. Specifically, we were asked to assess (1) JTPA's vulnerability to waste, abuse, and mismanagement; and (2) the adequacy of federal, state, and local program oversight and monitoring to prevent and detect such practices.

We concentrated our efforts at the three levels responsible for overseeing and administering JTPA: the federal, state, and local program levels. At the federal and state levels, we focused on their roles and responsibilities and the procedures they followed to ensure that the program was being carried out in accordance with the law and implementing regulations. At the local level, we concentrated on SDAs' procurement and financial management practices and procedures. With regard to procurement, we looked at the selection of training vendors, the contracting methods used, performance under training contracts, and contract monitoring by the SDAs. In the financial management area, we examined internal controls, the procedures followed in accounting for expenditures, property inventory and control, and audit coverage and resolution.

We carried out our work in two federal regions—Region I (Boston) and Region V (Chicago)—and in three states in each region. In Region I, we included Connecticut, Massachusetts, and Rhode Island. In Region V, we

visited Illinois, Michigan, and Ohio. We included 12 SDAs in our review—2 in each state we visited (app. I contains a listing of the SDAs).

We selected SDAs from among those in the states visited that appeared to be more or less representative of SDAs program-wide. For example, we selected SDAs that (1) had a variety of training programs, (2) used various contracting methods, (3) were neither too large nor too small in terms of funding, and (4) did not have an unusual administrative structure. To eliminate potential bias in our results, we excluded those SDAs where previous reviews may have revealed managerial and operational weaknesses (e.g., those previously examined by Labor's Inspector General and those recently visited by Labor regional officials). While the selected states and SDAs do not constitute a representative sample, in our view, they provide examples that illustrate the vulnerability of the program to waste, abuse, and mismanagement.

Our audit work was carried out from January 1990 to November 1990. For the most part, we reviewed financial management activities and procurement practices for program year 1989 (July 1, 1989 to June 30, 1990). Our review was conducted in accordance with generally accepted government auditing standards.

Inaccurate Reporting of JTPA Costs Results in Administrative Limits Being Exceeded

The majority of the SDAs we visited underreported administrative expenditures, causing program costs to be misrepresented. Such underreporting amounts to a circumvention of the statutory limitation placed on administrative expenditures by JTPA. Nine of the 12 SDAs we visited often reported administrative salaries as training costs and other administrative expenditures as participant support costs. If these administrative expenditures had been charged properly, 7 of these SDAs would have exceeded the administrative cost limitation specified in the act by an average of 68 percent.

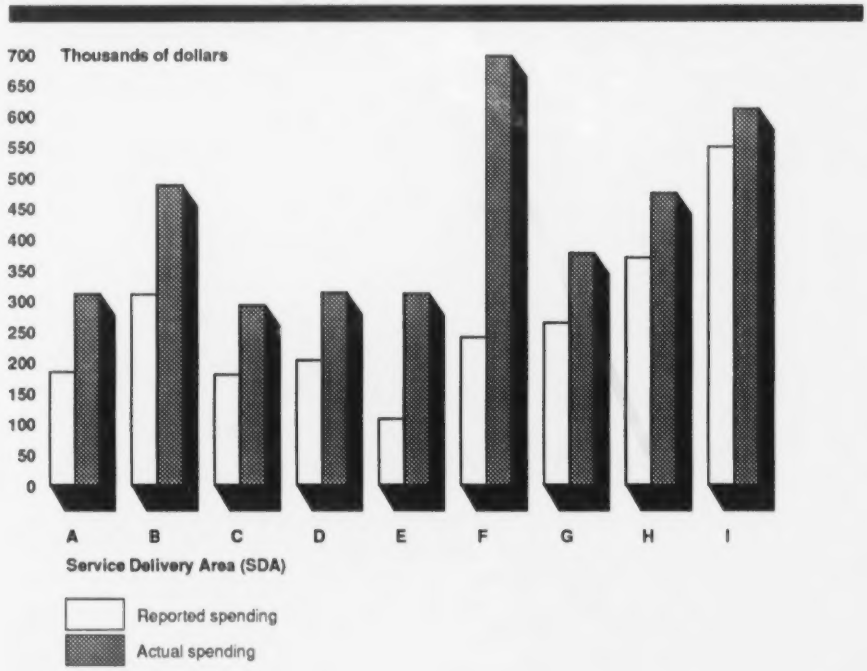
Program Costs Are Misclassified

At 9 of the 12 SDAs we visited, administrative expenditures were being reported inaccurately in the two areas in which we concentrated our efforts—allocation of costs for administrative salaries and employment-generating activities.[1] In 8 SDAs, salaries for certain administrative personnel were charged entirely or partially to training; at 4 SDAs, the costs of employment-generating activities were inappropriately charged to participant support. Improperly charging administrative costs not only misrepresents the extent of services actually being provided, but also reduces the amount of funds available for training and participant support.

On average, the 9 SDAs underreported their administrative expenditures by 38 percent. As illustrated in figure 2.1, the amount of underreported administrative expenditures at these nine SDAs ranged from about $62,000 (10 percent) at one SDA to about $456,000 (66 percent) at another SDA.

[1]Employment-generating activities are activities that increase job opportunities for JTPA eligible individuals; for example, special surveys and studies, community profiles, job skill forecasts, essential labor market and program analyses, and consultant services.

Figure 2.1: Reported and Actual Administrative Expenditures for Nine SDAs



Administrative Salaries Improperly Charged to Training

Entire salaries for some individuals performing only supervisory or administrative functions were being charged to training at five of the SDAs we visited. Other SDAs did not use a supportable basis (e.g., time records) for allocating a percentage of salaries to training for those individuals who perform training as well as administrative duties.

JTPA regulations stipulate that (1) direct or indirect costs associated with the supervision and management of the program shall not be charged to training and (2) salaries and fringe benefits of project directors, program analysts, labor market analysts, supervisors, and other administrative positions shall not be charged to training.

The SDAs we visited often failed to follow these regulations. We noted a number of instances where administrative salaries had been partially or entirely charged to training, including

- about $87,000 for such positions as an executive director, a manager for administration, and a manager for planning and operations;

- about $105,000 for an operations director, a planning director, and a program coordinator;
- approximately $113,000 for such positions as an administrator, a private industry council liaison, an assistant management information systems manager, and a program monitor;
- approximately $191,000 for a director, an operations manager, an administrative assistant, and a management information systems coordinator; and
- about $456,000 for such positions as a casework director, a planner, six employment and training supervisors, and two administrative analysts.

We discussed the characteristics of these positions with Labor officials, who agreed that, based upon available job descriptions, the positions appeared to be administrative rather than training related.

Seven SDAs also lacked a supportable basis for allocating the salaries of individuals who perform both administrative and training duties to these cost categories. JTPA regulations require that salaries of those individuals performing both training and administrative functions be prorated among training and administrative cost categories using verifiable criteria, such as time records. The SDAs estimated percentages for such salaries, rather than using a basis that could be verified. For example, two SDAs relied upon estimates to allocate the percentage of time individuals devoted to training and administration. Neither SDA had such documentation as time records to support the estimates.

Administrative Costs Further Understated by Charging Employment-Generating Activities to Participant Support

Five of the six states we reviewed improperly permitted SDAs to charge costs for employment-generating activities to participant support, even when such activities were administrative in nature.

JTPA regulations specifically stipulate that the costs for employment-generating activities cannot be charged to training, but do not specify which of the other two cost categories—administration or participant support—should be charged for such activities. The act, however, defines the services included under participant support; namely, supportive services (those services necessary to enable individuals who cannot afford them to participate in the program), needs-based payments (payments made to economically disadvantaged individuals to offset the costs associated with training), and certain work experience costs.

Some states have developed policies that allow the costs of employment-generating activities (e.g., labor market studies, community profiles, and job skill forecasts) to be charged to participant support, regardless of the true nature of such costs. For example, we identified a policy in one state that specifically allowed all costs for employment-generating activities to be charged to participant support. At one of the SDAs visited in this state, about $279,000 was charged to participant support in program years 1988 and 1989 for such expenses as the private industry council staff's salaries, rent, office supplies, and travel to seminars. Another SDA charged about $376,000 to participant support during program years 1988 and 1989 for activities involving outreach, administration, and marketing.

Regional Labor officials reacted promptly when we brought this state's policy to their attention and questioned whether the policy was consistent with the act and regulations. They issued a cease and desist letter to the state to stop SDAs from charging all costs of employment-generating activities to participant support and requested the state to determine the extent to which SDAs were inappropriately charging these costs. In its response to Labor, the state identified seven SDAs as having charged costs for employment-generating activities that were administrative in nature to participant support. The total amount of costs improperly charged in program year 1989 at these SDAs was about $644,000.

Four of the other five states we visited also did not have policies in program year 1989 that specifically required SDAs to charge the costs for employment-generating activities to administration. For example, one policy simply stated that employment-generating activities may be charged to either the participant support or administrative cost categories. Another state delegated to its SDAs the responsibility for determining which cost category to charge for employment-generating costs. The two Labor regional offices included in our review have instructed states to revise their policies. In one letter, for example, Labor concluded that

"... the costs of [employment-generating activities] would normally be expected to be allocated to the Administration cost category, and that [the] State policy needs to be reviewed to more narrowly define the charging of these costs and to insure that it is consistent with the intent of the Act and regulations."

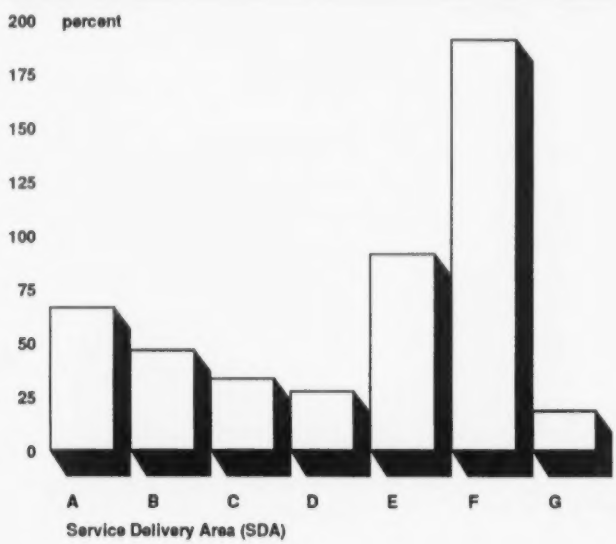
Of the states we visited, only one state's policy specifically required that costs for employment-generating activities be charged to administration. The policy states that

"Employment generating activities, defined as activities not directly related to the provision of training or employment for participants, but which are generally intended to increase job opportunities for eligible individuals in the area served by the program, shall be charged to the administrative cost category."

Limitation on Administrative Costs Is Often Exceeded

As noted earlier, nine of the SDAs we visited inaccurately reported the amount of funds spent on administration. We determined that seven of these SDAs would have exceeded the statutory limitation placed on administrative costs had they accurately reported such expenditures. In addition, they would have exceeded the allowable amount of funds to be spent for administration by an average 68 percent. As illustrated in figure 2.2, had the SDAs accurately charged expenditures to the administrative cost category, the statutory limit would have been exceeded by about 18 percent in one instance and over 190 percent in another.

Figure 2.2: Percentage That SDAs Exceeded Allowable Administrative Costs



Our findings reinforce a concern raised by Labor's Office of Inspector General (OIG). In a 1989 report,[2] the OIG noted that determining whether SDAs have complied with the basic restrictions on cost limitations has become increasingly difficult and concluded that no accountability by cost category exists for program expenditures.

[2]Semiannual Report, Office of Inspector General, U.S. Department of Labor, April 1-September 30, 1989.

JTPA Funds Wasted on Questionable On-the-Job Training

Most of the SDAs we visited wasted JTPA funds by developing on-the-job training (OJT) contracts that appeared to be more of an employer subsidy than a training mechanism. These SDAs developed OJT contracts for lower skill jobs that substantially exceeded Labor's suggested training times. In addition, many OJT clients had significant prior experience in the job for which they were being trained and in several instances were already employed by the OJT contractor.

Excessive Training in Lower Skill Occupations Wastes JTPA Funds

SDAs provided OJT for lower skill jobs (e.g., carwash attendant, hotel maid, and fast-food worker) for periods that exceeded Labor's suggested training times for these types of jobs.[1] OJT affords JTPA participants the opportunity to earn a wage while receiving direct, "hands-on" experience in a specific occupation.

In a prior report,[2] we found that many OJT contracts for lower skill jobs allowed too much time for training when compared with the suggested training time for these occupations. Labor officials responded that they were considering legislative and/or regulatory options to address this issue. They further noted that they

"... expect that the types of lower skill OJT contracts identified in the GAO report as prone to excessive duration will gradually cease to exist."

But our review indicates that SDAs are continuing to provide excessive OJT for lower skill jobs.

Under standard OJT arrangements, employers provide JTPA participants with training in a particular occupation for a specified length of time. JTPA normally reimburses the employer for one-half of the participant's wages during this training.

During our current review, we found that approximately 73 percent of the lower skill OJT contracts exceeded the upper limit of Labor's training guidelines. We defined lower skill jobs as those jobs that, according to Labor, require no more than 3 months of training. Of the 558 OJT contracts for lower skill jobs we reviewed, 407 exceeded Labor's suggested training times for these positions. The cost to JTPA for the 558 lower-skill

[1]We used the specific vocational preparation (training time) included in Labor's Selected Characteristics of Occupations Defined in the Dictionary of Occupational Titles.

[2]Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

OJT contracts was about $691,000, of which about 36 percent ($251,000) was for excess training. Table 3.1 shows, by SDA, the percentage of lower skill OJT contracts that were longer than Labor's suggested training times.

Table 3.1: Percentage of Lower Skill OJT Contracts Exceeding Labor's Suggested Training Time

SDA	Number of lower skill OJT contracts	Number (percent) exceeding Labor guidelines
A	6	3 (50)
B	5	5 (100)
C	15	6 (40)
D	3	2 (67)
E	33	30 (91)
F	[a]	[a]
G	24	19 (79)
H	38	31 (82)
I	106	96 (91)
J	53	40 (75)
K	43	24 (56)
L	232	151 (65)
Total	**558**	**407 (73)**

[a]SDA F had no OJT contracts in program year 1989

The 407 OJT contracts exceeding Labor's guidelines did so by an average of 6 weeks. As shown in figure 3.1, the amount of excess training ranged from an average of 2 weeks at one SDA to an average of 12 weeks at another.

Figure 3.1: Suggested and Contracted Training Times for Lower Skill OJT

Table 3.2 lists the training time for seven excessive OJT contracts for lower skill jobs. All of these jobs have suggested training times of 30 days or less.

Table 3.2: Examples of Excessive OJT for Lower Skill Jobs

Occupation	Length of OJT (days)
Fast-food worker	40
Hotel maid	65
Meat wrapper	65
Kitchen helper	71
Laundry attendant	73
Rug cleaner	80
Carwash attendant	129

Excessive Training for Those With Prior Experience

We noted instances at nine SDAs where OJT contracts were used to train individuals who already had significant work experience in the occupation for which they were receiving OJT. About one-fourth of the 386 sampled individuals for whom work histories were available had at least 1 year of prior experience in the job for which they were being trained. Table 3.3 illustrates seven instances where SDAs entered into OJT contracts to train individuals who had significant experience in these jobs.

Table 3.3: Examples of Significant Prior Experience in OJT Occupation

Occupation	Months of OJT training	Years of prior experience
Custodian	3	19
Draftsman	4	14
Tool/die worker	5	12
Welder	6	7
Oil burner technician	12	5
Delivery driver	4	5
Security guard	4	3

OJT Being Used to Subsidize Employees' Wages

We also found a few instances at six SDAs where OJT contracts were used to subsidize a current employee's wages and to provide training normally paid for by the employer. While developing OJT contracts with companies to train current employees was not a pervasive practice, it further indicates potential abuse of JTPA training funds. We believe that using OJT to subsidize a current employee's wages is an abuse of the program and should not be tolerated. Labor's OIG in a recent report questioned about $600,000 in costs relating to some 200 cases in which the OJT participant had been employed by the OJT employer at least 1 week before the start of training.[3]

Our review of OJT client work histories identified 11 cases where six SDAs entered into OJT contracts with companies to train current employees. For example, one SDA entered into a 4-month contract with a company to train a radio and television service technician. The OJT trainee had been hired by the company 2 weeks before the OJT contract and was already being trained as a service technician when the OJT began. Another SDA developed a 6-month OJT contract with an employer to train a person who had been employed by that company for approximately 18 months in a similar position.

[3]National Summary Report JTPA/OJT Performance Based Broker Contracts, Office of Inspector General, U.S. Department of Labor, March 29, 1991.

Contracting Practices Contribute to Program Vulnerability

Two-thirds of the SDAs we visited used questionable contract administration and monitoring practices, making contracting with training vendors vulnerable to potential waste, abuse, and mismanagement. We noted instances where SDAs

- made payments to training vendors that were not in accordance with contract requirements,
- did not comply with federal guidelines on providing partial payments to vendors,
- modified contracts to allow payment to vendors who failed to meet performance requirements, and
- reimbursed vendors for unsupported expenditures.

While not all of these problems occurred at each SDA we visited, the occurrence was common enough to cause concern that the Job Training Partnership Act program is vulnerable to waste, abuse, and mismanagement.

Improper Payments Made Under Fixed Unit Price, Performance-Based Contracts

Two-thirds of the SDAs we visited that used fixed unit price, performance-based contracts either (1) made payments to vendors even though the payments did not comply with contract requirements, (2) made partial payments to vendors that did not comply with Labor's guidance, or (3) wrote modifications to change contract conditions to permit full payment.

Under Labor's guidance for fixed unit price, performance-based contracts, vendors can receive partial payments when they attain performance benchmarks. The performance must be measurable and documented and cannot be for more than the estimated cost of providing that portion of the contract. JTPA regulations also require that full payment under these contracts be contingent upon three conditions: completion of training, placement in a training-related job, and receipt of a specified wage.

Payments Made Despite Contract Requirements

Of the nine SDAs that used fixed unit price, performance-based contracts with vendors, three made payments that were not in accordance with contract requirements. In addition, two other SDAs did not verify that contract requirements were satisfied before paying the vendors.

At one SDA, for example, a provision in the contracts stipulated that vendors would receive payment for each person placed in a training-related

job if the person kept that job for some specified length of time—usually 3 or 4 weeks. The SDA's procedures required that, before making payment, SDA staff were to verify that each person was placed in a training-related job and had retained that job for the required length of time. At this SDA, however, as many as two-thirds of the payments reviewed may have been improper. We examined 75 payments made to seven vendors and found that 11 payments were made before the completion of the required job retention period and another 39 were made without performing the job retention verification.

At another SDA, inadequate monitoring procedures may have resulted in improper payments being made. This SDA's contracts called for vendors to be paid for placements in training-related jobs obtained within 45 days of training completion. However, vendors were paid before the SDA verified reported placements.

Partial Payments Not in Compliance With Federal Guidelines

Six of the SDAs that used fixed unit price, performance-based contracts with vendors made partial payments that were not in compliance with Labor guidelines for such contracts. As a result, SDAs were often paying training vendors substantial amounts for minimal effort (e.g., for enrolling clients), regardless of the amount of training provided.

According to Labor officials, partial payments can only be based on a documented measurable achievement; enrollment and attendance alone do not constitute measurable achievements.[1] Labor's guidelines also note that costs associated with intake, enrollment, and assessment—without participation in occupational or basic skills training—cannot be the basis for partial payments.

In contrast to Labor's guidance, six SDAs awarded contracts that provided partial payments to vendors based on client enrollment. The amount of these payments ranged from 24 percent of the contract to as much as 79 percent. One SDA's contract with a vendor offering clerical training, for example, allowed the vendor to receive 79 percent of a $239,000 contract if 85 participants were enrolled and remained in the

[1] An example of an acceptable basis for making a partial payment is illustrated by one SDA's contract with a vendor that stipulated that, before receiving its first partial payment, the vendor had to certify that participants satisfactorily completed 15 percent of the curriculum with a grade of 70 percent.

program for 5 days of the 6-month training program. Another SDA's contract with a vendor offering word processing training (a 12-week program), permitted the vendor to receive 40 percent of the $177,000 contract if 100 participants were enrolled and spent just 1 day in training.

Modifications Used to Change Contract Requirements

Two of the SDAs we visited modified performance requirements in several instances, resulting in vendors being paid without meeting original contract conditions. While Labor's guidance on fixed unit price, performance-based contracts recognizes that "risk is an inherent feature" of these contracts, both for service providers and SDAs, there appeared to be relatively little risk to the training vendors at these two SDAs after the contract modifications were made.

One SDA modified contract time limits or placement wage requirements to allow for full payment to be made to vendors. This SDA used fixed unit price, performance-based training contracts that contained precise definitions for completion, placement, and retention. However, the SDA allowed one vendor to receive full payment when it modified a contract, without any apparent justification, to extend the placement period from 45 to 66 days in one case, and from 45 to 134 days in another case. The vendor received $2,054 for these two placements that would not have been paid had the contract not been modified. In another instance, the SDA modified a contract to reduce the stipulated placement wage from $5.50 to $5.00 per hour. As a result, the vendor received $2,100 that would not have been paid under the original contract conditions.

At another SDA, training vendors received incentive payments without fulfilling the incentive requirements stipulated in the contract. Labor's policy guidance strongly recommends that SDAs focus more on at-risk populations, stating that "[t]his might involve an additional adjustment to the unit price to provide increased financial incentive . . ." for serving this group. This SDA entered into training contracts that provided incentive payments for services to the hard-to-serve, such as handicapped individuals, school dropouts, and Aid to Families with Dependent Children (AFDC) recipients. However, the contracts also contained a clause stating that if the vendor failed to enroll the specified number of hard-to-serve clients, the SDA would modify the contract to increase the placement payments by the incentive amount, thereby negating any incentive to enroll these clients.

One of the SDA's contracts provided an incentive payment of $1,245 for enrolling two AFDC clients. When, after 9 months, the vendor had failed to enroll two such clients, the SDA modified the contract to increase the placement payments by $1,245, thus negating any incentive effect. Similarly, the SDA modified another contract to increase placement payments by $1,140 when a vendor, after 8 months, could not enroll a single AFDC client (as specified in the contract). In both cases, the vendors received the incentive payments without fulfilling the terms of the incentive clauses.

Payments Made Under Cost-Reimbursement Contracts Unsupported

Two of the five SDAs using cost-reimbursement contracts had reimbursed training vendors for incurred costs without ensuring that reported expenditures were allowable and sufficiently documented. Such a practice could lead to a misuse of JTPA funds.

Generally, SDAs entered into cost-reimbursement training contracts with organizations such as community colleges, city-operated institutions, and vocational schools. Under these arrangements, SDAs reimburse vendors for the cost of training based on the vendors' reported expenditures. Five of the SDAs we visited used such contracts to provide occupational classroom training.

One SDA paid a vendor 75 percent of the value of two contracts worth approximately $700,000 without verifying the accuracy of the submitted expenditure reports. For the first 9 months of the contract period, the vendor submitted expenditure reports and received payments under these contracts that were totally unsupported by the vendor's records. Nonetheless, the vendor received full reimbursement for reported costs—about $530,000.

A subsequent visit by the SDA disclosed that the vendor lacked any records supporting program expenditures. We believe the SDA should have questioned the vendor when the first expenditure report requested about $80,000 for administration, twice the amount allowed for the entire year.

Another SDA also did not verify the accuracy or appropriateness of expenditures reported by vendors. In this instance, the SDA paid about $213,000 under a cost-reimbursement contract with a vendor to provide training in office occupations. The vendor's monthly expenditure reports requesting payment contained only one line item—training—and the requested amount. Neither additional documentation as to the

types of expenses incurred nor SDA verification of the accuracy or appropriateness of the payment requests was presented in the reports.

Inadequate Monitoring Has Left JTPA Vulnerable to Waste, Abuse, and Mismanagement

Incidents of waste, abuse, and mismanagement in the Job Training Partnership Act program are going undetected. State agencies, which have the primary responsibility for overseeing JTPA implementation, often failed to identify improper reporting of costs, questionable uses of on-the-job training, and inadequate procurement practices occurring at the SDAs included in our review.

Although JTPA requires that each program be independently audited at least once every 2 years, such audits have not provided reasonable assurance that JTPA programs are operating in accordance with applicable laws and regulations. These audits generally did not detect the improper management practices at the SDAs we visited.

Federal oversight also has not been directed at identifying improper practices or providing reasonable assurance that the program operates in accordance with the law, regulations, and sound management practices. Such oversight consists primarily of broad policy guidance, limited technical assistance, and minimal scrutiny of program implementation and operation.

Inadequate State Monitoring

Most states were not adequately monitoring local JTPA program operations. As reported in chapter 2, SDAs in five of the six states we visited were underreporting administrative expenditures, yet state monitors in only two of these states questioned the SDAs' basis for allocating expenses among the cost categories.

States vary substantially in the extent to which they monitor local program operations. One state we reviewed did not perform any monitoring of its SDAs' financial management or procurement systems until program year 1990. Similarly, another state had not performed any financial or procurement monitoring since program year 1986, although it did so in program year 1990. On the other hand, another state spent about 4 weeks per year at each of its 26 SDAs assessing various SDA activities, including cash management, cost classification, OJT, and contractor monitoring.

State monitoring to ensure that OJT was reasonable apparently was not occurring because none of the state monitoring reports we reviewed identified length of training as a problem. As reported in chapter 3, the 11 SDAs that had OJT contracts consistently contracted with employers to provide training in lower skill jobs for periods longer than the training

times suggested by Labor. Over one-third of the OJT costs for these contracts was being wasted on excess training.[1]

Furthermore, none of the state monitoring reports we reviewed identified weaknesses in the SDAs' administration of their training contracts. As reported in chapter 4, SDAs were paying vendors even when contract conditions were not met; providing vendors with partial payments, thereby failing to comply with federal guidelines; and reimbursing vendors for unsupported expenditures.

Additionally, property management could be susceptible to abusive practices. States are responsible for ensuring that property purchased with JTPA funds is being used for JTPA purposes as required by federal regulations. Seven of the SDAs we visited did not have adequate control over property inventory. The five states where these SDAs were located either (1) did not assess SDA property inventory control or (2) made no mention of such weaknesses in their monitoring reports. For example, directors of two SDAs (in different states) were assigned automobiles purchased or leased with JTPA funds. In neither case were records maintained to show what these vehicles were used for. We were able to establish that one of these cars had been used regularly for personal purposes and not just program-related ones.

Other instances of poor property management were noted during our review. At one SDA, for example, four computers that were issued to a vendor were being used for non-JTPA purposes. In addition, about one-fourth of the 100 items we tested at this SDA were not at the locations specified on the inventory list, and SDA officials could not locate 15 of these items. This property was valued at $44,000 and included a computer, terminals, printers, and modems.

Recent Initiatives May Improve Federal Oversight

Labor's oversight responsibilities have been insufficient to address the improper practices we identified. New initiatives by Labor are aimed at improving program integrity, but it is too soon to determine whether these efforts will reduce the program's vulnerability to waste, abuse, and mismanagement.

[1] In acknowledgement of the potential abuse of OJT, three states have begun to develop policy guidance for SDAs to use when contracting with employers for this training.

Federal Policy Guidance Has Been Limited

Labor's program-wide guidance to the states and SDAs has been limited, and this lack of clear guidance has caused some of the problems discussed in this report. Labor has, on a few occasions, issued notices in the Federal Register, but these have not been formally incorporated into JTPA regulations. Labor also has provided guidance to individual states on specific questions and issues, such as the determination by two regional offices that costs for employment-generating activities should be charged to administration, but has not made such information available on a program-wide basis. Although Labor has issued policy guidance regarding the use of performance-based contracts, it has not clearly defined administrative costs, acceptable uses of OJT, and adequate levels of state monitoring.

Labor's compliance reviews as well as its previously required management reviews have contributed to improving program management at the state and local level. However, they have not detected, nor were they intended to detect, improper or questionable practices at every SDA.

New Oversight Initiatives Are a Step in the Right Direction

Labor has indicated a need to go beyond its current oversight and monitoring practices. As pointed out by Labor in a notice to its regional offices, ". . . it is evident that a more extensive and in-depth analysis is needed to detect system irregularities and vulnerabilities."

Labor's February 1990 JTPA oversight plan states that, while the existing system has enabled Labor to meet its monitoring responsibilities, changes in the program's environment and priorities require a reassessment of its oversight strategy. As a result, significant changes are anticipated in the near future. Under consideration are recommendations to focus reviews on program quality, effectiveness, and outcomes. Furthermore, Labor is considering shifting emphasis away from state administration and towards local program operations. According to the oversight plan, significant changes are being made to the current system, including Labor's directive that

> "Reviews will go beyond simply verifying the mere existence of written system procedures and look at actual operational effectiveness."

Labor also has initiated a series of special reviews targeted to specific areas of program vulnerability. The two initial reviews were directed at the areas of procurement and OJT. According to Labor, these reviews are similar to but more in-depth than its compliance reviews.

Labor also is developing additional clarification and guidance for the states and SDAs. In February 1991, Labor issued an advance notice of proposed rulemaking that outlines areas of proposed regulatory change, and it is seeking comments on the advisability of amending the program regulations and the suggested areas for change. Labor's proposal includes several of the actual and potential problem areas identified in our review, including program monitoring, property management, OJT, and employment-generating activities.

Labor's new initiatives are designed to improve the integrity of JTPA at the state and local levels. However, it is too early to tell whether these efforts will significantly increase program integrity and prevent future waste and abuse.

Few JTPA Deficiencies Noted During Audits

All 12 of the SDAs we visited had been recently audited. Although we found questionable practices being followed at each of these locations, only three of the audit reports noted deficiencies relating to JTPA waste, abuse, or mismanagement. The lack of findings in the audits raises questions as to the adequacy of independent audits to detect the types of improper practices we identified during our review.

JTPA requires that, at least once every 2 years, all recipients of JTPA funds undergo an independent financial and compliance audit. This requirement can be satisfied either as part of a single audit of a state or local government's entire financial operations or through an audit aimed specifically at an individual JTPA program's operation. The audit requirements of 70 percent of the SDAs are met under the Single Audit Act. Of the 12 SDAs included in our review, 8 were included in audits conducted under the provisions of the Single Audit Act.

The single audit concept was implemented in order to (1) eliminate audit duplication, overlap by the responsible federal agencies, and gaps in audit coverage; (2) provide a basis for additional audits and evaluations, if needed; (3) identify accountability and ensure resolution of audit findings; and (4) address the need for uniform single audit requirements. The Congress enacted the Single Audit Act of 1984 to require state and local governments that were receiving $100,000 or more in federal financial assistance to be the subject of a single, organization-wide audit.

The Department of Labor, in its 1989 and 1990 reports on the management control and financial management systems under the Federal Managers' Financial Integrity Act, identified coverage of JTPA under the

Single Audit Act as one of several "high risk areas." The 1990 report stated:

"A determination must be made whether the scope of coverage under the Single Audit Act is adequate to protect [Labor] interests under the Job Training Partnership Act (JTPA) and other [Labor] programs."

Five of the eight single audit reports did not contain any significant JTPA deficiencies. We could not, however, determine from these reports the extent to which JTPA activities were examined. We stated in a previous report[2] that program managers and other audit report recipients had difficulty in using single audit reports because they could not determine whether their programs were tested for compliance or the extent of such testing. GAO has another assignment underway performing an overall assessment of the implementation of the Single Audit Act in 13 federal programs, including JTPA.

Five of the SDAs we reviewed received JTPA-specific audits.[3] None of these audit reports, however, identified deficiencies and questionable practices similar to those we found during our review.

Conclusions

JTPA program oversight and monitoring at the federal and state levels is inadequate. Widespread problems were noted at the states and SDAs in our review, leading us to conclude that the program is vulnerable to waste, abuse, and mismanagement.

Labor's oversight has been limited to providing broad policy guidance with limited technical assistance and scrutiny of program implementation. As a result, problems at the state and local levels were not detected.

The extent of JTPA monitoring by the states varied, but generally the states did not detect improper management practices of local programs. Inaccurately reported administrative expenditures, excessively long OJT contracts, and questionable contracting practices were generally unreported.

[2]Single Audit Act: Single Audit Quality Has Improved but Some Implementation Problems Remain (GAO/AFMD-89-72, July 27, 1989).

[3]At one of the SDAs, the grant recipient is the private industry council who contracts with the State Department of Employment and Training to act as its administrative entity. In program year 1989, a JTPA-specific audit was performed on the private industry council's activities and the state's department activities were included under the state's single audit.

Biannual audits, required by the act, have not detected program mismanagement. We recognize that, given finite time and resources, such audits cannot be expected to detect each and every incident of waste, abuse, and mismanagement. However, only three of the audit reports noted any such deficiencies relating to JTPA.

At the local level, we noted that 7 of 12 SDAs were circumventing the legislative limit on administrative spending by not accurately classifying all administrative costs. This practice also raises questions about the accuracy of program expenditures reported to the Department of Labor and the Congress.

The 11 SDAs providing training under OJT contracts were wasting scarce JTPA resources by (1) entering into lower skill OJT contracts that exceeded the length of training suggested by Labor, (2) training individuals with significant prior work experience in the occupations for which they were being trained, and (3) training individuals already working for the OJT employer. Such practices, in effect, subsidize portions of an employer's salary and training expenses.

Contracting practices followed by eight of the SDAs were also contributing to program vulnerability by not following Labor guidelines or adhering to their own contract requirements when paying vendors for services rendered.

Labor, which is responsible for issuing implementing regulations and policy guidance, has allowed states and SDAs considerable discretion in implementing the program. To resolve those questionable practices and problem areas identified through Labor's new detailed reviews, clear and definitive guidance is needed to correct program-wide problems. Labor's recent initiative to develop additional program regulations should help in that regard.

Recommendations

To reduce JTPA's potential for waste, fraud, and abuse, and to address questionable management practices at the local level, we recommend that Labor provide technical assistance to states for the development and implementation of monitoring procedures directed at detecting waste, fraud, and abuse within the program.

We also recommend that Labor provide policy guidance to clarify regulations for

- accounting for and reporting administrative costs to accurately reflect program expenditures;
- developing OJT contracts that appropriately reflect the job requirements as well as the individual's work experience;
- maintaining adequate control over property purchased with JTPA funds to ensure that it is used for its intended purposes; and
- monitoring service providers to ensure that incidents of waste and abuse are detected and corrective actions taken.

Agency Comments

In its July 2, 1991, comments on a draft of this report (see app. III), the Department of Labor generally agreed with our findings and conclusions. Labor stated that it has proposed amendments to JTPA, introduced on May 30, 1991, that would address most of our recommendations. In addition, it has taken other steps that respond to our recommendations, including conducting a program-wide series of special reviews in the areas of JTPA procurement and on-the-job training and undertaking state and SDA training initiatives.

These efforts are a step in the direction of strengthening JTPA program monitoring and oversight. Labor's legislative proposal, if enacted, and other initiatives will contribute to improved program management. However, we believe that Labor needs to take additional actions in order to fully implement our recommendations.

The following summarizes Labor's comments on each of our recommendations and our analysis, where appropriate.

With respect to our recommendation that Labor provide states with technical assistance on monitoring procedures, Labor referred to the initiatives that it has taken or that are underway. These include its reviews of procurement and OJT practices; system-wide procurement training, including OJT procurement; on-site technical assistance for areas with significant problems; and the development of a broad strategy to improve training and technical assistance program-wide. Labor said it has uncovered problems in its reviews, but added that over 90 percent have been resolved and the remainder are in the process of being resolved. Labor also said that substantial operational changes have been made, particularly in the area of OJT practices and procedures.

While Labor's monitoring reviews may have resulted in corrective action, our review indicates that technical assistance to the states is needed. Labor's reviews amounted to direct monitoring efforts on its part and do not address the need for guidance and assistance to the states and SDAs in developing and implementing adequate monitoring procedures. Moreover, while the results from Labor's reviews could be useful to program managers, they are not being disseminated system-wide. We believe that these results should be made universally available to all JTPA managers in such a way as to (1) highlight both inappropriate activities and laudable program practices and (2) encourage JTPA managers to look for such inappropriate practices and to adopt successful approaches. Regarding its other actions, Labor's training initiative is limited to the area of procurement, whereas our efforts showed program weaknesses in a number of areas, including classification of costs and property management. Moreover, its on-site assistance is being provided in only a few locations and its broad strategy is still under development.

With regard to our recommendation that Labor provide guidance to clarify regulations related to accounting for and reporting on administrative costs, Labor stated that its legislative proposal would require that all costs be charged to the appropriate cost category. Furthermore, under this proposal it will issue rules that define each cost category and ensure that the state governors carry out their responsibility to enforce such provisions.

We believe that these provisions, and particularly the one relating to defining cost categories, will contribute substantially to improvements in this area. However, we also believe that the rules Labor issues should clearly set forth which costs can be appropriately charged to each cost category and that the Department should attempt to anticipate and address any potential misunderstandings with respect to cost classifications.

Regarding our recommendation that Labor provide guidance with respect to developing appropriate on-the-job training contracts, Labor referred to its monitoring reviews of state and SDA OJT policies and practices. Furthermore, its legislative proposal would establish a limit on the length of OJT contracts as well as provide other requirements. Labor believes that these actions, as well as training for local program officials on OJT procedures, are appropriate to limit questionable OJT practices. Labor said that further policy guidance is dependent on legislative action.

We believe that Labor's actions will contribute to improved OJT contracting practices. However, we believe that Labor needs to take measures to insure that its proposed 6-month ceiling on OJT contracts does not become the norm. Therefore, in developing its guidance and implementing regulations, Labor needs to emphasize that the maximum training length should be used only when it is the normal length of training for a particular occupation or is fully justified by appropriate factors, such as a participant being handicapped.

With respect to our recommendation regarding the monitoring of service providers, Labor again referred to its monitoring reviews of OJT and procurement activities, training initiatives, and legislative proposal. It also plans to establish an oversight approach that focuses on program and management performance and preventive oversight. Labor's actions should contribute to improved program management and monitoring.

Regarding our recommendation on maintaining adequate property control, Labor referred to its procurement training activities and legislative proposal that will, in part, strengthen property management.

We believe that Labor's procurement training, coupled with its comprehensive guide on procurement practices, will improve and strengthen the program's procurement process. Further, its legislative proposal incorporates federal requirements that, in part, address the proper use and disposition of property. In view of the need for guidance by program managers, we believe that Labor should include in its training program and incorporate in its comprehensive guide, guidance on the proper use and disposition of program property.

SDAs Selected for Site Visits

State/city	Service delivery area
Connecticut	
Hartford	Hartford: SDA 5
Waterbury	Waterbury: SDA 9
Illinois	
Belleville	St. Clair County: SDA 24
Rockford	Boone and Winnebago: SDA 3
Massachusetts	
Fall River	Bristol County Training Consortium
Springfield	Hampden County
Michigan	
Ann Arbor	Livingston and Washtenaw Counties and City of Ann Arbor: SDA 18
Mt. Clemens	Macomb and St. Clair Counties: SDA 19
Ohio	
Columbus	Franklin County: SDA 16
Toledo	Toledo Area: SDA 9
Rhode Island	
Lincoln	Northern Rhode Island
Providence	Providence/Cranston

Tables Supporting Bar Graphs in Report Text

Table II.1: Difference Between Reported and Actual Administrative Costs (Data for Figure 2.1)

	Administrative costs		
SDA	Reported	Actual	Difference
A	$183,237	$310,282	$127,045
B	308,732	487,144	178,412
C	179,106	292,010	112,904
D	202,306	312,461	110,155
E	107,328	310,304	202,976
F	239,348	695,621	456,273
G	262,927	376,443	113,516
H	367,565	472,605	105,040
I	546,601	608,934	62,333

Table II.2: SDAs Exceeding Allowable Administrative Costs (Data for Figure 2.2)

SDA	Percentage exceeding allowed administrative costs
A	66.2
B	46.4
C	33.3
D	27.4
E	91.0
F	190.6
G	18.4

Table II.3: SDAs Exceeding Suggested Training Time for Lower Skill OJT (Data for Figure 3.1)

	Average training time (Weeks)		
SDA	Suggested	Contracted	Excess
A	13	25	12
B	7	13	6
C	7	12	5
D	6	8	2
E	11	16	5
G	6	11	5
H	8	14	6
I	8	17	9
J	6	9	3
K	7	12	5
L	7	12	5

Comments From the Department of Labor

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

July 2, 1991

The Honorable Charles A. Bowsher
Comptroller General of the
United States
U.S. General Accounting Office
441 G Street, N.W.
Room 7000
Washington, D.C. 20548

Dear Mr. Bowsher:

Thank you for the opportunity to review and provide comments on the U.S. General Accounting Office (GAO) draft report, entitled Job Training Partnership Act: Inadequate Oversight Leaves Program Vulnerable to Waste, Mismanagement and Abuse (GAO/HRD-91-97). This report provides further information on issues which have been the basis for both administrative action and legislative proposals to strengthen the integrity of Job Training Partnership Act (JTPA) programs. Accordingly, the Department will give careful consideration to the recommendations contained in this report.

The Department has already taken major steps to address the concerns expressed in the report. All States and the majority of service delivery areas (SDAs) have recently been monitored in depth with respect to procurement practices and on-the-job training (OJT) program administration. Well over 90 percent of the problems identified in the reviews have been resolved. The Department has proceeded with training State and SDA staff in procurement practices and provided the system with a comprehensive technical assistance guide. The Department has also provided training for all States in the areas of OJT and proper program administration.

The Department's legislative proposal to amend JTPA which is pending before the Congress very specifically addresses the program integrity concerns identified in the report. The amendments make significant changes in the law to strengthen program accountability. These include new provisions requiring the Governors to establish and implement procurement standards to ensure fiscal accountability and prevent fraud and abuse. The provisions would also ensure that compliance with the standards is closely monitored and that, where problems arise, corrective action is promptly taken or, where necessary, appropriate sanctions are applied. Other provisions, such as those relating to the charging of expenditures to appropriate cost categories, proper OJT administration, property management, and restrictions on program income, also promote fiscal integrity.

Enclosed are responses to your specific findings. I hope this information will prove helpful in compiling your final report.

Sincerely,

Lynn Martin

LYNN MARTIN

Enclosure

U.S. Department of Labor's Response to
the Draft General Accounting Office Report
Entitled --

Job Training Partnership Act: Inadequate Oversight Leaves Program Vulnerable to Waste, Mismanagement and Abuse

Following are the recommendations to the Secretary of Labor contained in the GAO report, and the Department's responses.

To reduce the potential for waste, fraud, and abuse within JTPA, GAO recommends that the Department of Labor assume stronger leadership in assuring that service delivery areas follow sound management and operational practices. Specifically, Labor should:

I. Provide technical assistance to states for the development and implementation of monitoring procedures designed to detect waste, fraud, and abuse within the program.

The Department has undertaken several initiatives in this regard. First, the Department's Employment and Training Administration (ETA) has undertaken the monitoring of procurement practices and on-the-job training (OJT) administration for all States and SDAs. To date, all States and the majority of SDAs have been monitored. Problems have been uncovered, and well over 90 percent of the problems have been resolved with the resolution of the balance in process. Procurement and OJT were selected for review because these areas purportedly involved the greatest extent of questionable practices. On the basis of the reviews, substantial changes have been made, especially in the area of OJT practices and procedures.

Second, ETA has proceeded with training on procurement (including OJT procurement) for the entire JTPA system. As part of this training, participants were provided with a comprehensive guide on procurement practice with specific information on monitoring procurement systems. This spring, all State Directors received training on program integrity responsibilities as part of a training conference for State liaisons. The ETA has also included training on OJT as part of other training conferences they sponsored this spring.

Third, ETA is providing on site technical assistance for areas with severe problems, such as working with one State to resolve some serious problems identified in one of its service delivery areas (SDAs).

Fourth, ETA is developing a much broader strategy to improve training and technical assistance throughout the JTPA system. This strategy was described in a Federal Register notice published on February 7, 1991 entitled "Building the Capacity of the JTPA System." An essential feature of this capacity building effort will be the training of JTPA staff in basic monitoring and program administration.

II. Provide policy guidance to clarify regulations regarding:

A. Accounting for and reporting of administrative costs to accurately reflect program expenditures.

Policy guidance for the proper classification of costs is presented at Part 20 Section 629.38 of the Code of Federal Regulations (CFR). Pursuant to the rules, it is the responsibility of the Governor to ensure that SDAs and substate areas properly charge expenditures against the proper cost categories. The proper classification of costs has also been a concern in the JTPA system as a result of the widespread practice of performance based contracting pursuant to 20 CFR 629.38(e)(2), wherein all of the costs could be charged to the training category. Our legislative proposal would require that all costs, with two limited exceptions, be charged to the appropriate cost category. Furthermore, the Department will issue rules defining each of the cost categories and ensure that the Governors fulfill their responsibility to enforce those provisions.

B. Developing on-the-job training contracts that appropriately reflect the job's requirements and the individual's work experience;

The ETA has monitored all States and is well on the way to monitoring all SDAs' OJT policies and practices. An essential element of this review is determining the presence and enforcement of State and local policies regarding the length of the training as it relates to the occupation, minimum and maximum durations, and limitations on who is appropriate to refer to an OJT opportunity, especially participants with previous experience in the firm or occupation. The Department has also included additional provisions regarding OJT in the proposed amendments. These provisions include limitations on the length of OJT to a period "...generally required for acquisition of skills needed for the position within a particular occupation, but in

occupation, but in no event shall exceed six months." The legislation also indicates that the length of training should be based on a standard reference such as the Dictionary of Occupational Titles, and should take into account prior work experience, training content, and the individual's service strategy. In addition, the legislation includes requirements for OJT contracts and would impose significant new conditions on OJT brokering contracts.

The Department considers that it has taken appropriate action to limit questionable OJT practices throughout the JTPA system. Further policy guidance will depend on the legislative action taken on the OJT provisions included in the proposed legislation.

c. Monitoring service providers to ensure that incidents of waste and abuse are detected and minimized;

The ETA has taken direct and comprehensive action to monitor all State and local JTPA programs for the areas which were considered to be most vulnerable to waste and abuse - OJT and procurement. Such monitoring not only included review of program policies and practices, but also reviewed State and local monitoring practices. Where deficient, immediate corrective action has been required and in virtually all cases has been taken. The ETA's in-depth training on procurement includes detailed instructions on monitoring. The ETA plans to continue program oversight as a major priority. Emphasis will be placed on having Governors assume more fully their responsibility for program oversight and monitoring. The ETA will move toward an oversight approach which focuses on issues affecting program and management performance, and will devote a significant portion of its efforts to preventive oversight, i.e., identifying issues that signal potential problems.

The Department has included in its legislative proposal to amend JTPA specific provisions strengthening monitoring. All grantees and subgrantees are required to conduct oversight to ensure compliance with procurement standards. Further, the Governor is required to conduct annual onsite monitoring of each SDA and substate area to ensure compliance with procurement standards. These provisions are in addition to the current responsibility of the Governor and private industry councils to monitor their programs for compliance with the Act.

Furthermore, when specific cases of fraud and abuse are uncovered by or brought to the attention of ETA, immediate action is taken to investigate and direct corrective action to be taken.

D. Maintaining adequate control over property purchased with JTPA funds to ensure that it is used for its intended purposes.

The ETA's procurement training includes specific provisions for analyzing the costs of property and other aspects of property administration.

The Department's JTPA amendments include provisions regarding property which specify that "The Federal requirements governing the title, use and disposition of real property, equipment and supplies purchased with funds provided under this Act shall be the Federal requirements generally applicable to Federal grants to States and local governments." Such provisions will serve to strengthen property management in the JTPA system.

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——. Single Audit Act: Single Audit Quality Has Improved but Some Implementing Problems Remain (GAO/AFMD-89-72, July 27, 1989).

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Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

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